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BEFORE THE ARIZONA CORPORATION C

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COMMISSIONERS

KRISTIN K. MAYES - Chairman

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PAUL NEWMAN

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BOB STUMP

2009 MAY -8 P 12:47

AL CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF
WALNUT CREEK WATER COMPANY, INC.
FOR A PERMANENT RATE INCREASE.

DOCKET NO. W-02466A-08-0486

STAFF'S NOTICE OF FILING

On April 17, 2009, the Arizona Corporation Commission ("Commission") Hearing Division issued a Procedural Order directing Commission Utilities Division Staff ("Staff") to file in docket control, on or before May 15, 2009, "an update to the Staff Report explaining how Staff treated the \$747,671 characterized as long-term debt by Walnut Creek and providing Staff's analysis of whether this debt requires Commission authorization."

Staff hereby provides the attached Second Addendum to the Staff Report in response to the Procedural Order.

RESPECTFULLY SUBMITTED this 8th day of May, 2009.

Kevin O. Torrey SBN#022300
Attorney, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007
(602) 542-3402

Original and thirteen (13) copies
of the foregoing were filed this
8th day of May, 2009 with:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Arizona Corporation Commission
DOCKETED

MAY -8 2009

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1 Copies of the foregoing mailed/delivered
2 this 8th day of May, 2009, to:

3 Dennis J. Sim, Manager
4 WALNUT CREEK WATER COMPANY, INC.
5 119 East Andy Devine Avenue
6 Kingman, Arizona 86401

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Stephen G. Hodge

MEMORANDUM

TO: Docket Control

FROM: Ernest G. Johnson
Director
Utilities Division

EA for EGJ

DATE: May 08, 2009

RE: SECOND ADDENDUM TO STAFF REPORT FOR WALNUT CREEK WATER COMPANY, INC.'S REQUEST FOR A PERMANENT RATE INCREASE
DOCKET NO. W-02466A-08-0486

On December 31, 2008, Walnut Creek Water Company, Inc. ("Walnut Creek" or "Company") filed an application with the Arizona Corporation Commission ("Commission") requesting a permanent rate increase. On March 23, 2009, Staff filed its Staff Report pertaining to this filing.

Subsequent to Staff's filing of its Staff Report a Procedural Order was issued on April 17, 2009. The Procedural Order ordered Staff to file an update to the Staff Report explaining how Staff treated the \$747,671, characterized as long-term debt by Walnut Creek. Staff also is to provide Staff's analysis of whether this debt requires Commission authorization.

It was an oversight and an error by Staff not to address these loans in the original filed Staff Report. On November 20, 2008, Staff's first set of data requests was sent to the Company. This data request sought information from the Company concerning these loans.

On December 2, 2008, the Company furnished information to Staff's data request. Staff determined that these are not loans. They should have been characterized as paid-in-capital.

Staff recommends that these loans be characterized as paid-in-capital. Staff also recommends that the Company makes this change in its books to reflect these amounts as paid-in-capital.

Staff recommends that this second addendum be added and included in the previously filed Staff Report.

EGJ:CRM:kdh

Originator: Charles R. Myhlhousen

Attachment: Original and thirteen copies